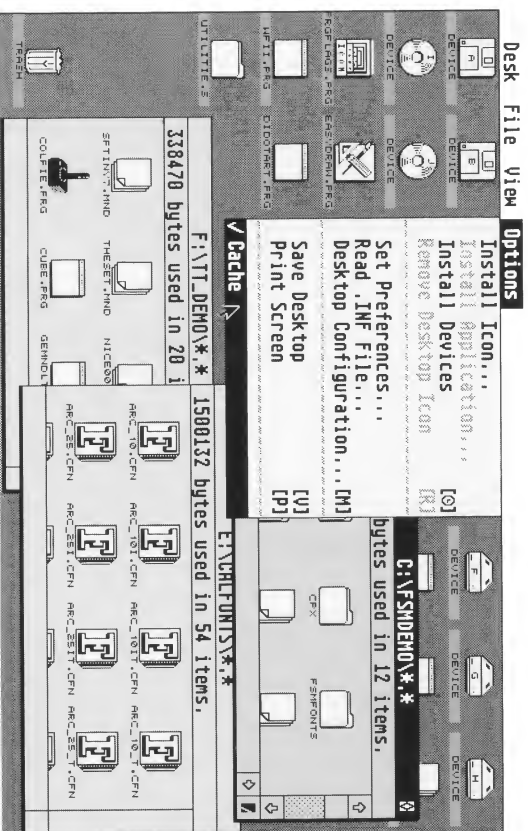




1991  
FIRST QUARTER  
REPORT



## President's Message

Sales for the first quarter of 1991 were \$63.4 million as compared to \$85.5 million for 1990. Sales during the quarter were lower as a result of economic conditions in Europe as well as events in the Persian Gulf. During the quarter, the Company experienced technical problems in its manufacturing of certain new computers, which further limited sales.

In the first quarter of 1991, the Company's gross margins improved to 34% as compared to 30% in the first quarter of 1990. In addition, the Company repurchased approximately \$2.5 million of its 5¼% subordinated debentures, which resulted in an extraordinary credit of \$2.0 million (no tax effect due to utilization of loss carryforwards).

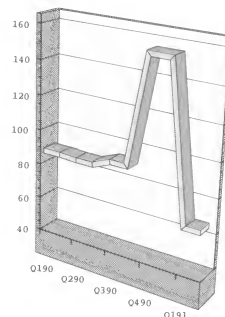
As a result, the Company experienced a Net Loss of \$2.0 million for the first quarter of 1991, as compared to Net Income of \$1.5 million for the first quarter of 1990.

Although sales are down, the Company is still on target in improving its overall operating efficiencies. After due consideration, as previously reported, Atari Corporation has closed its Taiwan assembly plant and relocated assembly operations, to increase efficiency and reduce costs. The plant in Taiwan, recently appraised in excess of \$50 million, has been offered for sale and early consummation of ongoing negotiations is anticipated.

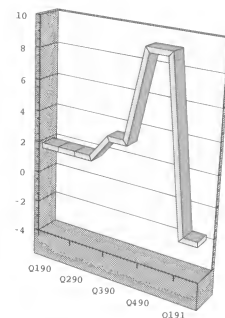


Sam Tramiel, *President*

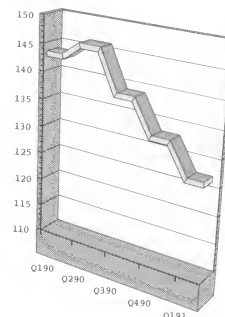
**Net Sales**  
(\$ millions)



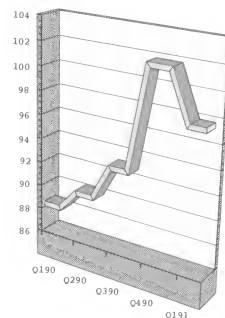
**Net Income**  
(\$ millions)



**Working Capital**  
(\$ millions)



**Shareholder's Equity**  
(\$ millions)



# ATARI CORPORATION

## Consolidated Balance Sheets

(IN THOUSANDS—Unaudited)

	<i>March 31,</i> <i>1991</i>	<i>March 31,</i> <i>1990</i>		<i>March 31,</i> <i>1991</i>	<i>March 31,</i> <i>1990</i>
<b>Assets</b>			<b>Liabilities and Shareholders' Equity</b>		
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES:</b>		
Cash and equivalents	\$ 35,179	\$ 45,261	Notes payable	\$ 21,322	\$ 21,591
Trade receivables (less allowance for returns and doubtful accounts: 1991, \$7,952; 1990, \$6,085)	56,126	68,354	Accounts payable	39,618	62,623
Inventories	106,064	147,704	Net current liabilities of discontinued operations	—	21,653
Prepaid expenses and supplies	5,825	5,196	Income tax payable	644	(279)
Other current tax assets	1,352	10,322	Accrued liabilities	16,651	29,743
Total current assets	204,546	276,837	Total current liabilities	78,235	134,331
<b>PROPERTY, net</b>	12,811	13,457	<b>LONG-TERM OBLIGATIONS</b>	46,186	77,763
<b>OTHER ASSETS</b>	4,402	9,790	<b>SHAREHOLDERS' EQUITY:</b>		
<b>TOTAL</b>	<b>\$ 221,759</b>	<b>\$ 300,084</b>	Common stock, \$.01 par value: authorized, 100,000,000 shares; (outstanding: 1991, 57,743,042; 1990, 57,713,180)	577	577
			Additional paid-in capital	143,529	143,320
			Notes receivable from sale of common stock	(614)	(765)
			Accumulated deficit	(43,041)	(54,380)
			Accumulated translation adjustments	(3,113)	(762)
			Total shareholders' equity	97,338	87,990
			<b>TOTAL</b>	<b>\$ 221,759</b>	<b>\$ 300,084</b>

# ATARI CORPORATION

## Condensed Consolidated Statements of Operations

(IN THOUSANDS, EXCEPT PER SHARE DATA—Unaudited)

	<i>Quarter Ended</i>	
	<i>March 31, 1991</i>	<i>March 31, 1990</i>
<b>Net Sales:</b>	\$ 63,444	\$ 85,547
Income (loss) before income taxes	(3,911)	1,377
Provision (credit) for income taxes	36	(171)
Income (loss) before extraordinary item	(3,947)	1,548
Extraordinary item	1,960	—
Net income (loss)	<u>\$ (1,987)</u>	<u>\$ 1,548</u>
<b>Earnings Per Common and Equivalent Share:</b>		
Income (loss) before extraordinary item	<u>\$ (0.07)</u>	<u>\$ 0.03</u>
Net income (loss)	<u>\$ (0.03)</u>	<u>\$ 0.03</u>
Number of shares used in the computation	<u>57,747</u>	<u>57,987</u>

This report was created on an Atari desktop publishing system (using G.O. Graphics' DeskSet™ II, and the Atari MEGA4, MEGAFILE 44, and SLM605), then typeset on an AGFA Compugraphic MCS™ 8400 using G.O. Graphics' Typesetter Driver Option™ card interface. Atari, the Atari logo, MEGA4, MEGAFILE 44, SLM605, and TT030 are ®s or TMs of Atari Corporation. Copyright 1991, Atari Corporation, Sunnyvale, CA 94089-1302. All rights reserved. Printed in USA.

*The illustration on the front cover is a screen displayed on an Atari TT030™ showing an easier than ever graphics interface.*